

# DA TAX UPDATE INDIRECT TAX

An E-Tax update from  
**Darda Advisors LLP**

PLI Scheme – Speciality Steel



# Production Linked Incentive Scheme for Speciality Steel Industry

## Overview

Specialty steel is value added steel wherein normal finished steel is worked upon by way of coating, plating, heat treatment, etc., to convert it into high value-added steel which can be used in various strategic applications like Defence, Space, Power, apart from automobile sector, specialized capital goods etc.

The Union Cabinet approved the Production Linked Incentive Scheme for Speciality Steel ('PLI Scheme') with budgetary outlay of Rs 6,322 Crore which is notified vide no S-21018/1/2020-TRADE-TAX-PART (1) dated 29 July 2021 and PLI guidelines issued on 20 October 2021 and application window date yet to be notified for following product categories.

- Coated/Plated Steel Products
- High Strength/Wear Resistant Steel
- Specialty Rails
- Alloy Steel Products and Steel Wires
- Electrical Steel

# Production Linked Incentive Scheme for Speciality Steel Industry

## Overview

We have covered for PLI scheme on following key aspects:

1. Eligibility Criteria
2. Incentive rates
3. Other aspects
4. Eligible Products
5. Relevant links
6. How DA (Darda Advisors) can assist



# Production Linked Incentive Scheme for Speciality Steel Industry

## 1. Eligibility Criteria

- A company registered in India under the Companies Act 2013 or joint venture proposing to manufacture goods under Target Segment.
  
- To achieve committed Investment (Ranging from 30 to 5,000 crores based on product category) on or after 29 July 2021 for each sub-category for specific segment as prescribed in PLI Guidelines. In case, the actual permissible investment as prescribed is less than the limiting investment for a product sub-category, the selected company shall not be eligible for any incentive. If the applicant applies for more than one unit (Ranging from 1 to 17 units based on product category) at the same location for simultaneous installation, the criteria to be fulfilled for committed investment would be as follows;
  - a. For 2 units with single combined investment - the committed investment  $\geq$  1.8 times of unit investment specified
  
  - b. For 3 units with single combined investment - the committed investment  $\geq$  2.5 times of unit investment specified.

# Production Linked Incentive Scheme for Speciality Steel Industry

## 1. Eligibility Criteria

- Committed Investment is a **condition** to be fulfilled prior to commencement of production and claiming incentive.
- The **net worth** of the company including group or joint ventures should not be less than 30% of the total committed investment (In case of newly incorporated company i.e., FY 2022, net worth should not be less than 30% of the total committed investment prior to the date of filing application).
- To achieve **annual incremental production rate year on year** (Ranging from 10% to 40% based on product category), which would be equal to or more than the threshold incremental production rate mentioned in Annexure.
- The Applicant is permitted to undertake a maximum of 20% of the total **value addition** through third parties, in such cases the incentive can be claimed only by the company producing end product eligible under the scheme.
- An applicant for eligibility has to commit minimum **unit capacity** as given in Annexure (Ranging from 1 to 4,500 in '000 tonnes based on product category)

# Production Linked Incentive Scheme for Speciality Steel Industry

## 2. Incentive rates

The rates for each product sub-category year-wise is given below;

PLI-Slab	2022-23	2023-24	2024-25	2025-26	2026-27
PLI-A	4%	5%	5%	4%	3%
PLI-B	8%	9%	10%	9%	7%
PLI-C	12%	15%	15%	13%	11%

## 3. Other aspects

- All eligible companies shall be ranked based on points obtained in the evaluation criteria as follows:

Criteria	Weightage
Committed annual increment production during scheme period	50%
Committee permissible investment	50%

# Production Linked Incentive Scheme for Speciality Steel Industry

## 3. Other aspects

- **Preference** shall be given to eligible companies committing to front load their investment during the scheme period. In case, where the same rank has been secured by eligible companies, the final selection shall be based on following rules (in the following descending order):
  1. An eligible company committing to upfront investments shall be given priority
  2. Eligible company who has applied first shall be given priority over others, all else being equal
- The number of **selected applicants** in each product sub-category shall be limited by the cumulative unit capacity during PLI Scheme period by the eligible candidates to match the projected production at the end of the final year of the scheme.
- The selected company shall have to sign **MoU** with the Ministry of Steel with validity till the final year of PLI disbursement adhering to commitments and also to provide **performance security @ 0.5%** of the committed investment.

# Production Linked Incentive Scheme for Speciality Steel Industry

## 3. Other aspects

- An applicant may apply in multiple sub-categories and the investment shall also be distinct among sub-categories. However, the maximum **annual incentive** payable shall be capped at INR 200 crores per eligible company (including that of Group Companies /JVs) across all product categories.
- **PLI calculation** in the year of commencement of production shall be based on actual production of that year, subject to achievement of 80% of the committed production in that year or else shall not qualify in the first year of commencement of production.
- An eligible Applicant can also avail benefits under PLI Scheme can avail **other benefits** such as Remission of Duties and Taxes on Exported products (RoDTEP) or any other State schemes and other PLI for other than products identified in PLI for Speciality Steel.
- The **investments** considered in PLI for Speciality Steel cannot be considered for other PLI Schemes.
- The **tenure of the scheme** is five years commencing from FY 2022-23, however for specific product categories it would be deferred by two years



# Production Linked Incentive Scheme for Speciality Steel Industry

## 3. Other aspects

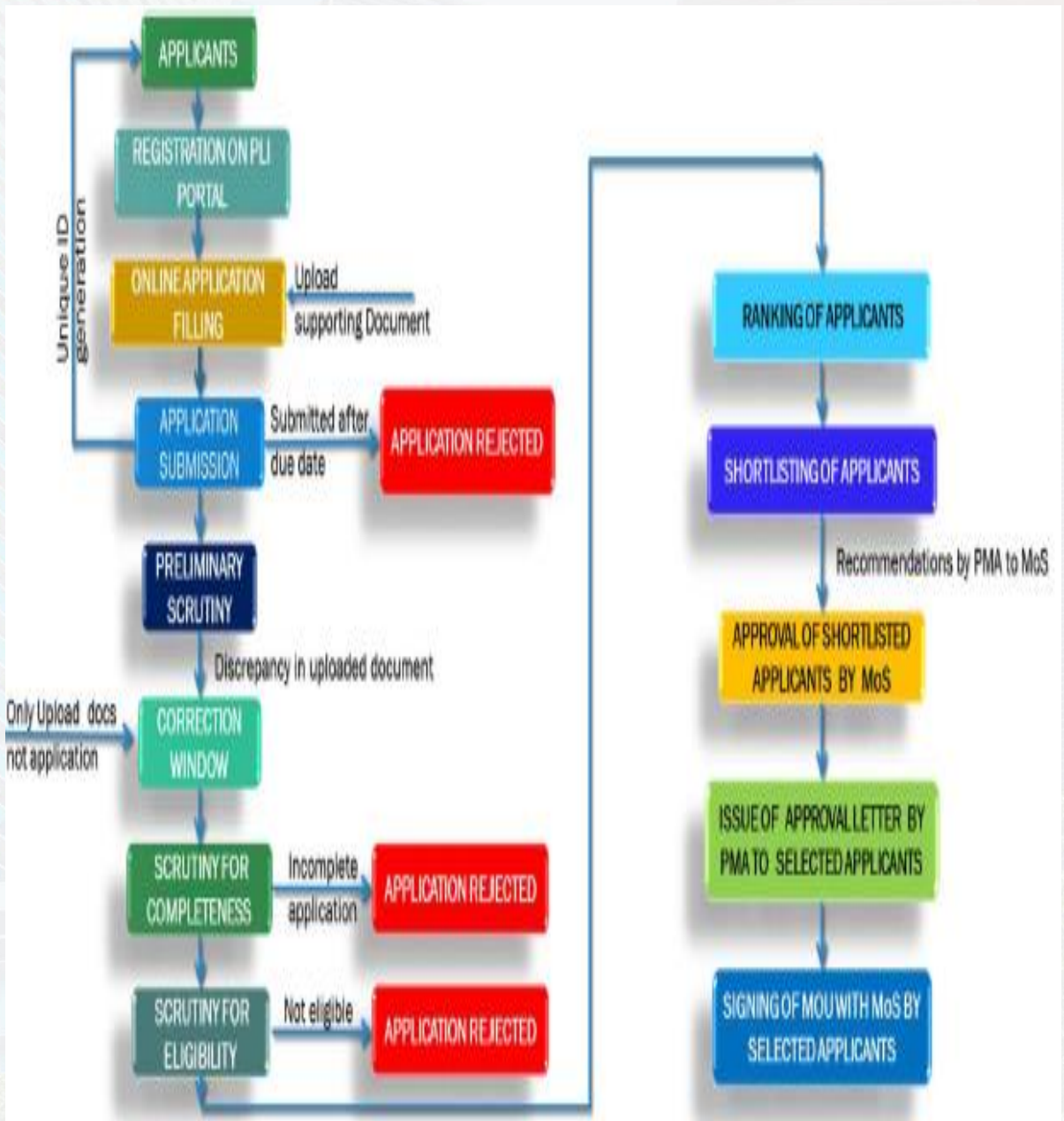
Particulars	Tenure for Production year	Tenure for Incentive disbursement year
As per scheme	FY 2022-23 to FY 2026-27	FY 2023-24 to FY 2027-28
In case of deferment of two years	FY 2024-25 to FY 2028-29	FY 2025-26 to FY 2029-30

- In case of **special circumstances** and with the approval of Empowered Group of Secretaries (EGoS) the selected applicant would be allowed to avail incentive within an extended period of up to one year by allowing deferment of initial one year with PLI payable in FY 2023-24, but the overall limit would be five years.
- If the applicant applies for **more than one unit at different locations**, each would be treated as independently.

# Production Linked Incentive Scheme for Speciality Steel Industry

## 3. Other aspects

- Flow of application through various stages of selection shall be as follows:



# Production Linked Incentive Scheme for Speciality Steel Industry

## 4. Eligible Products

Target Segment with Sub – Category	Minimum unit capacity to be installed (in '000 tonne)	Unit proposed (Nos)	Minimum investment	Minimum year-on-year Incremental production Rate (%)	PLI-Slab
<b>1. Coated/Plated Steel Products</b>					
a. Galvannealed/Galvanized Iron-Auto Grade.	400	1	700	10	PLI-A
b. Tin mill Products;	200	5	600	20	PLI-B
c. Al-Zn Coated;	250	18	200	30	PLI-A
d. Colour Coated	250	17	300	20	PLI-A
e. Coated/Plated products of Metallic/Non-Metallic Alloys.	250	8	200	10	PLI-A

# Production Linked Incentive Scheme for Speciality Steel Industry

## 4. Eligible Products

Target Segment with Sub – Category	Minimum unit capacity to be installed (in '000 tonne)	Unit proposed (Nos)	Minimum investment	Minimum year-on-year Incremental production Rate (%)	PLI-Slab
<b>2. High Strength /Wear Resistant Steel</b>					
a. Hot Rolled Coil, Sheets and Plates of American Petroleum Institute (API) Gr 52<=X<=70	4500	2	2750	25	PLI-A
b. HR Coil Sheets and Plates API Gr >X-70				20	PLI-B
c. High Tensile Sheets, Coil and Plates (YS>=450Mpa)				10	PLI-A

# Production Linked Incentive Scheme for Speciality Steel Industry

## 4. Eligible Products

Target Segment with Sub – Category	Minimum unit capacity to be installed (in '000 tonne)	Unit proposed (Nos)	Minimum investment	Minimum year-on-year Incremental production Rate (%)	PLI-Slab
<b>2. High Strength /Wear Resistant Steel</b>					
d. High Tensile Auto Gr Steel including Advanced High Strength Steel (AHSS) (Cold Rolled Closed Annealed);	900	1	1000	15	PLI-B
e. Boiler Grade/Pressure Vessels grade steel;	1200	1	2500	15	PLI-B
f. QT/Abrasion Resistant and Wear Resistant steel.				30	PLI-B

# Production Linked Incentive Scheme for Speciality Steel Industry

## 4. Eligible Products

Target Segment with Sub – Category	Minimum unit capacity to be installed (in '000 tonne)	Unit proposed (Nos)	Minimum investment	Minimum year-on-year Incremental production Rate (%)	PLI-Slab
<b>3. Speciality Rails</b>					
a. Asymmetric rails	-	1	350	20	PLI-A
b. Head Hardened rails				40	PLI-A
<b>4. Alloy Steel Products and Steel Wires</b>					
a. Tool & Die Steel	80	4	100	20	PLI-B
b. Value Steel				15	PLI-B
c. Bearing Steel	80	11	100	15	PLI-A

# Production Linked Incentive Scheme for Speciality Steel Industry

## 4. Eligible Products

Target Segment with Sub – Category	Minimum unit capacity to be installed (in '000 tonne)	Unit proposed (Nos)	Minimum investment	Minimum year-on-year Incremental production Rate (%)	PLI-Slab
<b>4. Alloy Steel Products and Steel Wires</b>					
d. Precipitation Hardened Stainless Steel	1	1	100	30	PLI-B
e. Automotive Power train Component grades of steel	80	7	100	10	PLI-B
f. Tyre Bead wire	30	6	100	20	PLI-B
g. C'Class Zinc Coated Wire	30	3	100	10	PLI-B
h. Zinc-Aluminium Coated Wire	30	3	100	10	PLI-B

# Production Linked Incentive Scheme for Speciality Steel Industry

## 4. Eligible Products

Target Segment with Sub – Category	Minimum unit capacity to be installed (in '000 tonne)	Unit proposed (Nos)	Minimum investment	Minimum year-on-year Incremental production Rate (%)	PLI-Slab
<b>4. Alloy Steel Products and Steel Wires</b>					
i. Tyre Coated (Brass Coated)	30	2	600	20	PLI-B
j. Oil Tempered Spring Steel Wire.	7	1	30	30	PLI-B
<b>5. Electrical Steel</b>					
a. Cold Rolled Grain Oriented (CRGO) Steel	200	2	5000	40	PLI-C
b. Cold Rolled Non-Grain Oriented (CRNO) Steel	200	2	700	10	PLI-B



# Production Linked Incentive Scheme for Speciality Steel Industry

## 6. Relevant Notification and Guidelines link

Press release

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1737722>

Notification for PLI Scheme

<https://steel.gov.in/sites/default/files/PLI%20scheme%20document%20notification.pdf>

Guidelines for PLI Scheme

[https://steel.gov.in/sites/default/files/Scheme%20Guidelines\\_Final\\_Upload.pdf](https://steel.gov.in/sites/default/files/Scheme%20Guidelines_Final_Upload.pdf)

# How DA can assist you

Identify the applicability of above fiscal incentives



Preparing list of applicable fiscal incentives including key criteria



Conduct feasibility study to identify the list of eligible product categories and pre-application discussions



Assistance in filing an application along with detailed documentation and maintain ongoing communication and coordination with government officials



Assistance in tracking process of approval and obtain final approval from relevant department



Post Approval assistance in disbursement of incentives



Support in relevant Direct & Indirect Tax structuring with respect to the proposed project

Darda Advisors LLP offers a wide range of services in the tax and regulatory space to clients in India with professionals having extensive consulting experience. Our approach is to provide customized and client-specific services. We provide well-thought-out strategies and solutions to complex problems in tax and regulatory matters. Our service offerings are:

## Invest India Services

- Invest India Study
- Inception And Incorporation Relate
- Incentives, Subsidies and Grant Service
- Start-Up India and MSME Services



## Indirect Tax Services

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## Other Services

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